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> SEC FILE NUMBER 66485

ANNUAL AUDITED REPORT

FEB 2 8 2013

SEC

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Section **FORM X-17A-5 PART III**

Washington DC

FACING PAGE

402 FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	01/01/2012 MM/DD/YY	AND ENDING	12/31/2012 MM/DD/YY
A. RE	GISTRANT IDENTIFIC	CATION	
NAME OF BROKER-DEALER: HFF S	ECURITIES, LP		OFFICIAL USE ONLY
ADDRESS OF PRINCIPAL PLACE OF BU 1999 AVENUE OF THE STARS	•	ox No.)	FIRM I.D. NO.
	(No. and Street)		
LOS ANGELES	CA		90067
(City)	(State)		Zip Code)
NAME AND TELEPHONE NUMBER OF F	PERSON TO CONTACT IN F	REGARD TO THIS RE	PORT
GEORGE M. RUSSO	(805) 573-1856		(Area Code – Telephone Number
B. ACC	COUNTANT IDENTIFI	CATION	
INDEPENDENT PUBLIC ACCOUNTANT ERNST & YOUNG, LLP	whose opinion is contained in	1 this Report*	
	(Name - if individual, state last, f	irst, middle name)	
2100 PPG PLAZA	PITTSBURG	PA	15222
(Address)	(City)	(State)	(Zip Code)
CHECK ONE:			
☑ Certified Public Accountant			
☐ Public Accountant			
☐ Accountant not resident in Un	nited States or any of its posse	essions.	
	FOR OFFICIAL USE O	NLY	·

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

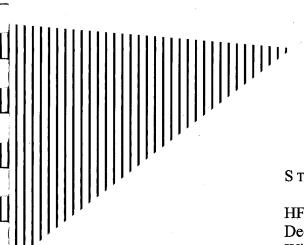
^{*}Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I,	GEORGE M. RUSSO		, swear (or affirm) that, to the best of
my	knowledge and belief the accompanying financial s	tatement	and supporting schedules pertaining to the firm of
-	HFF SECURITIES, LP		, as
of		2012	, are true and correct. I further swear (or affirm) that
_			er or director has any proprietary interest in any account
	ssified solely as that of a customer, except as follow		of director has any proprietary interest in any account
Cias	ssified solely as that of a customer, except as follow	3.	
			- K-
		•	Signature
			Signature
		:	FINANCIAL OPERATIONS PRINCIPAL
		•	Title
	NAME OF THE PROPERTY OF THE PR		
	Notary Public		
Thi	is report ** contains (check all applicable boxes):		
	(a) Facing Page.		
$\overline{\square}$	(b) Statement of Financial Condition.		
	(c) Statement of Income (Loss).		
	(d) Statement of Changes in Financial Condition.		
	(e) Statement of Changes in Stockholders' Equity	or Partne	rs' or Sole Proprietors' Capital.
	(f) Statement of Changes in Liabilities Subordina	ted to Cla	ims of Creditors.
	(g) Computation of Net Capital.		
	(h) Computation for Determination of Reserve Re		
	(i) Information Relating to the Possession or Con		
			e Computation of Net Capital Under Rule 15c3-1 and the
_	Computation for Determination of the Reserve		
		udited Sta	tements of Financial Condition with respect to methods of
	consolidation.		
M	(I) An Oath or Affirmation.		
		ound to av	ist or found to have existed since the date of the previous audit.
ш	(n) A report describing any material inadequacies f	ouna to ex	ist of found to have existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

☑ See Attached	Document (Notary to cross t Below (Lines 1–6 to be co	
\	(======================================	, , , , , , , , , , , , , , , , , , ,
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2	too, page gap, shap, was gare, tager gaps were upon dupon their state which take data.	and hand with the same and the same than the
3		
A MANUAL TRANSPORTER PRINCE TO AND ADDRESS TO A STATE AND A STATE		
6Signatu	re of Document Signer No. 1	Signature of Document Signer No. 2 (if any)
State of Californi	-	
County of 65		Subscribed and sworn to (or affirmed) before me
County of <u>W5</u>	AVIGACS	on this <u>anth</u> day of <u>February</u> , 20 13 by Nonth Year
		(1) George Russo
		proved to me on the basis of satisfactory evidence
300000		to be the person who appeared before me (.) (, (and
	MARIAN KAIN Commission # 1976801 Notary Public - California	(2)
	Los Angeles County My Comm. Expires May 27, 2016	Name of Signer proved to me on the basis of satisfactory evidence
******		to be the person who appeared before me.
Р	ace Notary Seal Above	Signature January Public
	,	
y	OP	PTIONAL —
to persons relying o	ion below is not required by law, it n the document and could preven achment of this form to another d	t fraudulent removal
Further Description	on of Any Attached Docume	ent
Title or Type of Docume	ent:	
Document Date:	Numl	per of Pages:
Signer(s) Other Than N	lamed Above:	



STATEMENT OF FINANCIAL CONDITION

HFF Securities L.P.
December 31, 2012
With Report of Independent Registered Public Accounting Firm

Ernst & Young LLP



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

FOCUS REPORT

FORM X-17A-5

(FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT) PART IIA 12

X-1/A-3		
	(Please read instructions before preparing	Form)
	being filed pursuant to (Check Applicable Block(s)): e 17a-5(a) 2) Rule 17a-5(b) 17 4) Special request by designated examining authority	3) Rule 17a-11 18 5) Other 26
NAME OF BROKE		SEC. FILE NO.
HFF SECURITIES L ADDRESS OF PR		8-66485 14 FIRM ID NO. 131585 15 FOR PERIOD BEGINNING (MM/DD/YY) 10/01/12 24 AND ENDING (MM/DD/YY)
LOS ANGELES	City) CA 22 90067 23 (City) (State) (Zip Code)	12/31/12 25
	(City) (State) (Zip Code) PHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS RE	
NAME(S) OF SUE	30 BSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT	OFFICIAL USE
NAME (S) OF SOL	32 34 36 38 DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNT CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT IS FILING AN AUDITED REPORT IS registrant/broker or dealer submitting this Form and its a it is executed represent hereby that all information contained It is understood that all required items, statements, and sche	NTS? YES 40 NO X 41 ORT X 42 Attachments and the person(s) by whom therein is true, correct and complete.
	this Form and that the submisson of any amendment represe and schedules remain true, correct and complete as previous	ents that all unamended items, statements
		20
	ATTENTION - Intentional misstatements or omissions of fa Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:	

FINRA

	BROKER OR D	EALER						
	HFF SECURITIES L			N	3			100
		T OF FINANCIAL CON	IDITION FOR NONCA	RRYII	VG.	NONCI FARING AN	ID	
	SIAIEMEN		HER BROKERS OR					
		CENTAINO	TIEN BROKERO OR	<i></i> (as of (MM/DD/YY) 12/31/12	99
						•		
						SEC FILE NO.	8-66485	
						Consolidated	ı <u>[19</u>	<u>8</u>
						Unconsolidated	1 X 19	9
			ASSETS					
			Allowable			Non-Allowable	Tota	al
			Allowabic			1101171110110		
			¢	[200]			\$	5,507,223 750
1. Ca	***		. \$ 5,507,223	[200]			<u> </u>	3,307,223 [730]
	ceivables from brokers o			295				
	. Olcaranoc acceant		•	300 \$		550		810
_	. Other	omers		355		95,425 600		95,425 830
		dities owned, at market value	· <u></u> e:					
				418				
				419				
				420				
	· - p			424				
				430				850
5 Se	curities and/or other inve	stments not readily marketab	ole:					
	. At cost \$	_	_					
	. At estimated fair value		-	440		610		860
_		subordination agreements						
	and partners' individual							
	securities accounts, at n			460		630		880
Α	. Exempted			-				
	securities \$	15	0					
Е	3. Other		_					
	securities		<u>o</u>	[470]		640	1	890
	ecured demand notes:	• • • • • • • • • • • • • • • • • • • •	•	470	_	040		
	arket value of collateral:		,					
F	A. Exempted	1 7	ন					
	securities		<u>01</u>					
C	3. Other securities	š 18	0					
8 M	emberships in exchange	·						
	A. Owned, at							
•	market	\$ 19	00				-	
E	3. Owned, at cost					650	<u>J</u>	
(C. Contributed for use of					660	7	900
				•				
	vestment in and receivat							
	ffiliates, subsidiaries and			المقا		670	ล	910
	ssociated partnerships		• •	480				[910
10.1	Property, furniture, equip							
	leasehold improvement							
	under lease agreement of accumulated deprec							
		iation		490		1,483 680]	1,483 920
11.	Other assets			535	_	123,105 735	<u> </u>	123,105 930
12.	Total Assets .		\$ 5,507,22	23 540	\$	220,013 740) \$	5,727,236 940

Page 1

OMIT PENNIES

BROKER OR DEALER		
HFF SECURITIES L.P.	as of	12/31/12

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS LIABILITIES AND OWNERSHIP EQUITY

LIADILITI			Tatal
	A.I.	Non-A.I.	_Total_
<u>Liabilities</u>	Liabilities	_Liabilities_	
13. Bank loans payable\$	1045 \$	1255 \$	1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased,			
at market value		1360	1620
17. Accounts payable, accrued liabilities,		[Taxal	4005
expenses and other	2,264,930 1205	1385	2,264,930 1685
18. Notes and mortgages payable:	F		4000
A. Unsecured	1210	L000	1690
B. Secured	1211	1390	1700
19. Liabilities subordinated to claims			
of general creditors:		[4740
A. Cash borrowings:	_	1400	1710
1. from outsiders \$970			
2. Includes equity subordination (15c3-1(d))			
of \$980			(
B. Securities borrowings, at market value		1410	1720
from outsiders \$ 990			
C. Pursuant to secured demand note		4400	1730
collateral agreements		1420	1730
1. from outsiders \$1000			
2. includes equity subordination (15c3-1(d))			
of \$1010			
D. Exchange memberships contributed for			4740
use of company, at market value		1430	1740
E. Accounts and other borrowings not	[1000]	440	1750
qualified for net capital purposes	1220	1440	
20. TOTAL LIABILITIES\$	2,264,930 1230 \$	1450 \$	2,264,930 [1760]
Ownership Equity_			
		\$	1770
21. Sole proprietorship			3,462,306 1780
22. Partnership (limited partners)\$	1020		3,402,300
23. Corporation:			1791
A. Preferred stock			1702
B. Common stock			1793
C. Additional paid-in capital		·····	1794
D. Retained earnings			1795
E. Total		······)1796
F. Less capital stock in treasury			
24. TOTAL OWNERSHIP EQUITY		· · · · · · · · · · · · · · · · · · ·	
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		· · · · · · · • • · · · • • • • • • • •	5,727,236 [1810]

OMIT PENNIES

BROKER OR DEALER		
HFF SECURITIES L.P.	as of	12/31/12

COMPUTATION OF NET CAPITAL

. Total ownership equity from Statement of Financial Conditi	on		\$	3,462,306 3480
. Total ownership equity from Statement of Financial			(0)3490
. Deduct ownership equity not allowable for Net Capital				3,462,306 3500
. Total ownership equity qualified for Net Capital				5,.05,000
. Add:		!a_1		3520
A. Liabilities subordinated to claims of general creditors all	lowable in computation of net cap	ital		3525
. Total capital and allowable subordinated liabilities		• • • • • • • • • • • • • • • • • • • •	\$	3,462,306 3530
. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C) .		220,013 3540		
B. Secured demand note deficiency		3590		
C. Commodity futures contracts and spot commodities-		F==1		
proprietary capital charges				Veccel
		3610	(220,013)3620
			_	3630
3. Net Capital before haircuts on securities positions			\$	3,242,293 3640
9. Haircuts on securities (computed, where appliicable,				
pursuant to 15c3-1(f)):				
A. Contractual securities commitments		3660		
		3670		
C. Trading and investment securities:	-			
1. Exempted securities		3735		
2. Debt securities	-	3733		
		3730		
3. Options 4. Other securities		3734		
		3650	İ	
D. Office conformation	-	68,792 3736	i ((68,79 <u>2</u>) <u>3740</u>
E. Other (List)		00,792	·	3.173.501 3750
10. Net Capital			Ψ	3,170,001
				OMIT PENNIES

Page 3

BROKER	OR	DEAL	_ER
	\sim .		

HFF SECURITIES L.P.

as of

12/31/12

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A
11. Minimum net capital required (6-2/3% of line 19) \$ 150,995 3756 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) \$ 100,000 3758 13. Net capital requirement (greater of line 11 or 12) \$ 150,995 3760 14. Excess net capital (line 10 less 13) \$ 3,022,506 3770 15. Net capital less greater of 10% of line 19 or 120% of line 12 \$ 2,947,008 3780
COMPUTATION OF AGGREGATE INDEBTEDNESS
16. Total A.I. liabilities from Statement of Financial Condition \$2,264,930 3790
17. Add: A. Drafts for immediate credit
equivalent value is paid or credited C. Other unrecorded amounts (List) 19. Total aggregate indebtedness \$ 3810 3830 \$ 3830 \$ 3830 \$ 384
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)
COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT
Part B 22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant
to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)
24. Net capital requirement (greater of line 22 or 23)
25. Excess net capital (line 10 less 24)
26. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement \$
5% of combined aggregate debit items or 120% of minimum her capital requirement.

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 - 1. Minimum dollar net capital requirement, or
 - 2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of the memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

BROKER OR DEALER HFF SECURITIES L.P.

For the period (MMDDYY) from 10/01/12 3932 3933 12/31/12 Number of months included in this statement 3931 STATEMENT OF INCOME (LOSS) REVENUE 1. Commissions: 3935 a. Commissions on transactions in exchange listed equity securities executed on an exchange 3938 b. Commissions on listed option transactions 3939 c. All other securities commissions 3940 d. Total securities commissions 2. Gains or losses on firm securities trading accounts 3945 a. From market making in options on a national securities exchange 3949 b. From all other trading 3950 c. Total gain (loss) 3952 3. Gains or losses on firm securities investment accounts 3955 4. Profits (losses) from underwriting and selling groups 3970 5. Revenue from sale of investment company shares 3990 6. Commodities revenue 3975 7. Fees for account supervision, investment advisory and administrative services 3995 4,264,894 4,264,894 4030 9. Total revenue **EXPENSES** 4120 10. Salaries and other employment costs for general partners and voting stockholder officers 4115 11. Other employee compensation and benefits 4140 12. Commissions paid to other brokers-dealers 4075 13. Interest expense a. Includes interest on accounts subject to subordination agreements 4195 14. Regulatory fees and expenses 4100 519,711 15. Other expenses 3,103,442 4200 16. Total expenses

17. Net Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	
18. Provision for Federal income taxes (for parent only)	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	4222
a. After Federal income taxes of	
20. Extraordinary gains (losses)	4224
a. After Federal income taxes of	

21. Cumulative effect of changes in accounting principles 4225

22. Net income (loss) after Federal income taxes and extraordinary items 5 1,161,452 4236

MONTHLY INCOME
23. Income (current month only) before provision for Federal Income taxes and extraordinary items

NET INCOME

695 905 4211

	FANTIIA			
BROKER OR DEALER				
HFF SECURITIES L.P.				
	For the period (MMDDYY) from	10/01/12	to _	12/31/12
·	STATEMENT OF CHANGES IN OWN	ERSHIP EQU	IITY	
	DDODDIETORSHID DARTNERSHIE			

	_	
1. Balance, beginning of period	. \$	2,340,681 4240
A. Net income (loss)		1,161,452 4250
B. Additions (includes non-conforming capital of\$		4260
C. Deductions (includes non-conforming capital of\$		39,827 4270
2. Balance, end of period (from item 1800)	. \$	3,462,306 4290
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS		
3. Balance, beginning of period	. \$	4300
A. Increases	·	4310
B. Decreases		4320
4. Balance, end of period (from item 3520)		4330

OMIT PENNIES

BROKER OR DEALER			
HFF SECURITIES L.P.	as of	12/31/12	

nrr sc	CORTIES L.F.					
<u> </u>	Exemptive P	rovision	Under Rule	15c3-3		_
25. If an exemption	on from Rule 15c3-3 is claimed, identify below the	section u	pon which such e	exemption is based :		
A. (k) (1) - Lim	ited business (mutual funds and/or variable annui	ties only)			···· \$	4550
B. (k) (2) (i) -	"Special Account for the Exclusive Benefit of custo	omers" ma	aintained		<u>x</u>	4560
C. (k) (2) (ii)	- All customer transactions cleared through anoth	er broker-	-dealer on a fully	disclosed basis.		
Name(s	s) of Clearing Firm(s) - Please separate multiple na	mes with	a semi-colon	[=	[4550]
				433		4570
D. (k) (3) - Exer	npted by order of the Commission					4580
	Ownership Equity and Subordina withdrawn within the next six m which have not been deducted	onths a	nd accruals, ((as defined below),		
Type of Propose Withdrawal or Accrual (See below for code to enter)	ed Name of Lender or Contributor		Insider or Outsider ? (In or Out)	Amount to be with- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
460	00	4601	4602	4603	4604	4605
461	0	4611	4612	4613	4614	4615
462	20	4621	4622	4623	4624	4625
463	30	4631	4632	4633	4634	4635
464	40	4641	4642	4643	4644	4645
465	50	4651	4652	4653	4654	4655
466		4661	4662	4663	4664	4665
467		4671	4672	4673	4674	4675
468		4681	4682	4683	4684	4685
		4691	4692	4693	4694	4695
469	ani	4091				
			TOTAL	\$ 4699		

4699

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c) (2) (iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE: DESCRIPTION 1. **Equity Capital Subordinated Liabilities** 2. Accruals 3. 4. 15c3-1(c) (2) (iv) Liabilities

Statement of Financial Condition

December 31, 2012

Contents

Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	



Ernst & Young LLP 2100 One PPG Place Pittsburgh, PA 15222

Tel: +1 412 644 7800 Fax: +1 412 644 0477 www.ey.com

Report of Independent Registered Public Accounting Firm

The Partners HFF Securities L.P

We have audited the accompanying statement of financial condition of HFF Securities L.P. (the Partnership) as of December 31, 2012, and the related notes to the statement of financial condition.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the statement of financial condition in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a statement of financial condition that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the statement of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of HFF Securities L.P. at December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

February 26, 2013

Statement of Financial Condition

December 31, 2012

Current assets: Cash and cash equivalents Accounts receivable \$ 5,507,22 95,42	25 88_
• • • • • • • • • • • • • • • • • • •	25 88_
Accounts receivable 95,42	88
Prepaid expenses 23,48	36
Total current assets 5,626,13	,0
Property and equipment, net of accumulated	
depreciation of \$19,192	33
Indefinite-lived intangible asset 99,61	17_
\$ 5,727,23	36
Liabilities and partners' capital	
Current liabilities:	
Accounts payable and accrued liabilities \$ 90,54	17
Accrued compensation 385,22	28
Due to affiliates1,789,15	<u>55</u>
Total liabilities 2,264,93	30
Partners' capital:	
General partner's capital (1 partnership unit) 34,62	23
Limited partners' capital (99 partnership units) 3,427,68	33
Total partners' capital 3,462,30)6
\$ 5,727,23	36

See accompanying notes.

Statement of Financial Condition

December 31, 2012

1. Organization

HFF Securities L.P. (the Partnership) is a broker-dealer that performs private placements of securities by raising equity capital from institutional investors for discretionary, commingled real estate funds to execute real estate acquisitions, recapitalizations, developments, debt investments, and other real estate-related strategies. As such, the Partnership's operations are impacted by the availability of credit in the market and capital flows into the real estate sector. The Partnership may also provide other investment banking and advisory services on various project or entity-level strategic assignments such as mergers and acquisitions, sales and divestitures, recapitalizations and restructurings, privatizations, management buyouts, and arranging joint ventures for specific real estate strategies.

The Partnership is an affiliate of a financial intermediary and advisor in the commercial real estate industry that has locations in 21 major cities nationwide. The Partnership shares office space with the affiliate in its Los Angeles, California office. In addition to its core business, the Partnership earns fees for referring clients to the affiliate.

The Partnership was formed as a Delaware limited partnership and shall continue through April 2054 unless dissolved earlier by voluntary agreement of the partners or by any other act constituting dissolution under applicable law.

Capital contributions may be required only with the consent of the partners. Distributions of net cash flow (as defined in the partnership agreement) are made at the sole discretion of the General Partner (as defined in the partnership agreement). None of the partners may withdraw from the Partnership without the consent of the other partners.

In February 2007, 44% of the Partnership's partnership units and 100% of the General Partner's shares (whose assets included 1% of the Partnership's partnership units) were sold to an entity that was formed for the purpose of acquiring partnership interests in the Partnership and partnership interests in an affiliate. As a result of this transaction, the Partnership had two ultimate parent affiliates, HFF, Inc. (a Securities and Exchange Commission (SEC) registrant) and HFF Holdings (a limited liability company).

Statement of Financial Condition (continued)

1. Organization (continued)

At February 2007, HFF Holdings beneficially owned 20,355,000 partnership units in the Partnership and an affiliate (the Operating Partnerships). Pursuant to the terms of HFF, Inc.'s amended and restated certificate of incorporation, the members of HFF Holdings could from time to time exchange their partnership units in the Operating Partnerships for shares of HFF, Inc.'s Class A common stock on the basis of two partnership units, one for each Operating Partnership, for one share of Class A common stock, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications (the Exchange Right).

Under the terms of the Exchange Right, beginning in February 2009, HFF Holdings had the right to exchange 25% of its partnership units, with an additional 25% becoming available for exchange each year thereafter. However, these contractual provisions could be waived, amended or terminated by the members of HFF Holdings following consultation with HFF, Inc.'s Board of Directors.

In June 2010, after consultation with HFF, Inc.'s Board of Directors, the members of HFF Holdings agreed to modify the Exchange Right so as to permit certain participating members of HFF Holdings to exchange all of their partnership units in the Operating Partnerships that corresponded to certain participating members' interests in HFF Holdings for shares of Class A common stock. The participating members of HFF Holdings were then entitled to redeem all of their respective membership units in HFF Holdings for such shares of Class A common stock. This modification was conditioned upon each participating member's agreement to extend the term of his or her existing noncompetition and nonsolicitation agreement to March 2015 and the imposition of resale restrictions on a portion of his or her shares of Class A common stock received pursuant to the Exchange Right exercise. Members choosing not to participate in the modification of the Exchange Right continued to be subject to their existing noncompetition and nonsolicitation agreements and the Exchange Right restrictions that were effective at the time of the initial public offering.

At December 31, 2012, all of the partnership units in each of the Operating Partnerships beneficially owned by HFF Holdings had been exchanged for shares of HFF, Inc.'s Class A common stock pursuant to the Exchange Right and HFF, Inc., through its wholly-owned subsidiaries, became the only equity holder of the Operating Partnerships.

Statement of Financial Condition (continued)

2. Summary of Significant Accounting Policies

Concentration of Credit Risk

The Partnership's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Partnership places its cash with financial institutions in amounts that at times exceed the Federal Deposit Insurance Corporation insurance limit. The Partnership has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and short-term investments with original maturities of three months or less.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The principal estimated useful lives are three to seven years for furniture and equipment and three years for software.

Expenditures for routine maintenance and repairs are charged to expense when incurred. Renewals and betterments that substantially extend the useful life of an asset are capitalized.

Indefinite-Lived Intangible Asset

The Partnership has recognized an intangible asset in the amount of \$99,617 for the costs of obtaining a Financial Industry Regulatory Authority (FINRA) license as a broker-dealer. The license is determined to have an indefinite useful economic life and is, therefore, not being amortized. The Partnership evaluates the carrying value of its intangible asset on at least an annual basis to determine whether events and circumstances indicate that impairment in value may have occurred.

Statement of Financial Condition (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Partnership is organized as a limited partnership under the laws of the state of Delaware. Under those provisions, the income and expenses of the Partnership are passed through and reported on the partners' individual income tax returns. Accordingly, no income taxes are reported in the accompanying financial statements.

The Partnership is subject to the provisions of the Financial Accounting Standards Board (FASB) ASC 740-10, Accounting for Uncertainty in Income Taxes. This standard establishes consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more likely than not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized. For the year ended December 31, 2012, management analyzed the Partnership's inventory of tax positions taken with respect to all applicable income tax issues for all open tax years (in each respective jurisdiction), and concluded that no provision for income tax is required in the Partnership's financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

3. Net Capital Requirement

The Partnership is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. At December 31, 2012, the Partnership's net capital ratio was 0.7 to 1.0. At December 31, 2012, the Partnership had net capital of \$3,173,501, which was \$3,022,506, in excess of its required minimum net capital of \$150,995.

Statement of Financial Condition (continued)

4. Property and Equipment

Property and equipment consist of the following at December 31, 2012:

Furniture and equipment	\$	16,295
Capitalized software costs	· .	4,380
Subtotal		20,675
Less accumulated depreciation and amortization		(19,192)
	\$	1,483

5. Related-Party Transactions

During 2012, the Partnership engaged in related-party transactions with HFF, Inc. and its commercial real estate financial intermediary affiliate as more fully described below.

During 2012, the Partnership was allocated \$833 in share-based compensation expense from HFF, Inc. related to restricted stock awards in Class A common stock of HFF, Inc. awarded to employees of the Partnership. The fair value of the awards is calculated as the market value of HFF, Inc.'s Class A common stock on the date of grant. The awards are subject to graded vesting. Additionally, during 2012 the Partnership was allocated \$251,741 in share-based compensation expense from HFF, Inc. related to the issuance of restricted stock awards in Class A common stock of HFF, Inc. awarded to employees of the Partnership. These awards are accounted for as liabilities and are subject to cliff vesting if certain conditions are met. The fair value of the liability awards is calculated based on the market value of HFF, Inc.'s Class A common stock as of each reporting date and expensed ratably over the requisite service period. The restricted stock awards subject to graded vesting and cliff vesting include an estimate for forfeitures, which is adjusted on a periodic basis to reflect actual forfeiture activity. During 2012, the Partnership paid personnel expenses primarily related to the restricted stock awards in the amount of \$26,885. In addition, HFF, Inc. is due a total of \$125,743 related to share-based profit participation expenses of the Partnership, a portion of which is subject to vesting. At December 31, 2012, a total of \$1.2 million is due to HFF, Inc. from the Partnership, which amount relates primarily to share-based compensation expense.

Statement of Financial Condition (continued)

5. Related-Party Transactions (continued)

During 2012, the Partnership was allocated \$174,849 in expenses for office space and administrative services that it shares with its financial intermediary affiliate. In addition, the affiliate paid a net of \$559,439 in employee-benefit expenses, professional service fees and miscellaneous operating expenses on behalf of the Partnership during the year, which expenses were partially offset by \$345,395 in placement and other fees collected by the affiliate on behalf of the Partnership. The Partnership incurred \$149,046 in consulting fee expenses relating to consulting services rendered by this affiliate on placement transactions and collected \$505,992 in placement and other fees on behalf of the affiliate. The Partnership paid approximately \$2.4 million of the intercompany balance due to this affiliate during the year ended December 31, 2012 leaving a net balance of \$587,627 due to the affiliate from the Partnership at December 31, 2012. The December 31, 2012 balance relates primarily to general office expenses, employee benefits and professional fee expenses paid by the affiliate.

6. Legal Proceedings and Claims

The Partnership is subject to certain legal proceedings and claims arising out of the conduct of its business. In accordance with ASC 450, *Contingencies*, a reserve for estimated losses is recorded when the amount is probable and can be reasonably estimated. If a range of possible loss exists, the Partnership records the accrual at the low end of the range. The Partnership does not believe that any pending legal proceedings will have a material impact on the Partnership's financial condition or results of operations.

7. Subsequent Events

The Partnership has evaluated subsequent events through February 26, 2013, the date on which these financial statements were issued.

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